

# Compliance Alert

## PCORI Fees due July 31

**Issue Date: July 2014**

Employers who sponsor self-funded medical plans must report and pay the ACA Patient-Centered Outcomes Research Institute (PCORI) fees no later than July 31, 2014. Health insurance carriers/insurers will pay the fee directly in the case of fully-insured plans.

PCORI fees apply to plan years ending after Sept 30, 2012 and before Oct 1, 2019. The fee is paid using quarterly excise tax Form 720 and must be paid no later than July 31 of the year following the last day of the plan year. Self-funded plans with a plan year beginning in a month other than November, December or January are likely paying the fee for the first time this year.

The PCORI fee generally applies to all group health plans, but not to excepted benefits. The IRS published a helpful chart that describes the different types of plans subject to the fee at: <http://www.irs.gov/uac/Application-of-the-Patient-Centered-Outcomes-Research-Trust-Fund-Fee-to-Common-Types-of-Health-Coverage-or-Arrangements>

### Amount of Fee

Payment amounts due in 2014 differ based on the employer's plan year.

- For plan years ending before October 1, 2013 the fee is \$1 multiplied by the average number of covered lives during the plan year.
- For plan years ending on or after October 1, 2013 the fee is \$2 multiplied by the average number of covered lives during the plan year.

For future years, the annual fee will be increased based on the percentage increase in the projected per capita amount of National Health Expenditures (as published by the IRS).

### Calculating the Average Covered Lives

There are 3 methods available to determine the average count of lives to base the fee on:

1. Actual Count Method
2. Snapshot Method
3. Form 5500 Method

Important notes for counting covered lives:

- If one plan sponsor maintains more than one self-funded health plan with the same plan year, the arrangements can be treated as a single plan for purposes of the fee.
- An employer who sponsors a health reimbursement account (HRA) with a fully-insured medical plan is required to pay the fee with respect to HRA participants.

Additional details on calculating amount of the fee due were described in our earlier issue brief on this topic.

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